645 came to the end of his term in 1942, but due to the war, instead of being released, was sent to a concentration camp from where he was freed in 1945. 2. Neither Moscow-trained Communist, nor Nazi. 3. Not a Soviet citizen. 4. Has a political black-book. 5. Worked in 1945 in the organization section of the Communist Party. Became party secretary to the Central Committee in 1949, became member of the political committee in 1951 and appointed Deputy-Chairman of the Presidium. Home-trained, extremely cultured Communist, one of the most brilliant careers in the Communist Party. Rákosi's confident, speaks German, Hungarian and Russian."

467 KRZ670E, LSTVAN. Chairman of the Hungarian Trade Union Association. Party bureaucrat of Jewish descent. Member of the Central Committee. Acceeded to his present post in 1953.

[illegible], JC75EF. Deputy-Prime-Minister. Former Chairman of the metal workers Association and the Trade Union Association. Young rising Communist, he was appointed to the Political Committee in 1955.

693 [illegible], [illegible]. President of the Highest Court. Born in 1894. Hl. Of middle class origin, Christian, has a lawyer's degree, was member of the Trowski j-wing illegal party; later broke away from the Communists, but was generally known as extreme leftist. Wrote several

3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

wage agreements, which before the war were settled by voluntary understanding between employers and work-people, became compulsory. They had to be negotiated by the respective trade unions and the employers' associations, and were subject to approval by the authorities. Another feature of altered conditions was the establishment of workers' councils in the factories. Their task was to watch over working conditions and the execution of social-welfare measures within the factories. Also delegates of these councils were entitled to attend the meetings of boards of directors and to inspect books.

Of the working population scheduled under industry a high proportion was engaged in handicrafts. According to the census of 1941, small-scale industry comprised 11 per cent of the active working population out of 23·5 per cent for industry as a whole. At the same time manufactures (i.e. units with more than twenty employees) contributed about 29 per cent, and small-scale industry 11·5 per cent to the national income, as estimated by the Institute of Economic Research. After the war the relative importance of handicrafts and small-scale industry was declining. Demand for their quality products diminished. Moreover, their raw-material supplies were deficient; priority was given to the requirements of large-scale industry, and, in particular, of those branches producing capital goods.

An outstanding feature of post-war economic developments was the levelling of inequalities of incomes with a considerably diminished national income. This naturally was closely connected with changes in the social structure. Big incomes from the ownership of land disappeared, but so did most of those formerly derived from other forms of property. Deposits and other classes of money claims were wiped out by the inflation, and the values of interest-bearing securities melted away. As to house property, its ownership remained, but the yield was practically nationalized, as after taxation nothing was left out of the controlled rent. Thus the rentier class was eliminated. In the census of 1941 it figures together with the pensioners, and the share of this composite group of the total population was then slightly over 4 per cent. In an economy of scarcity relatively big incomes were still earned by industrialists and dealers by evading price control. Outside this limited circle the levelling of incomes affected all classes of society, including the workers. The margin between the wages of skilled and unskilled, which had been substantial in pre-war Hungary, was markedly narrowed.

471 For a while there were signs of rivalry between the Planning Office and the Supreme Economic Council, also a Communist-controlled body, which ended in the victory of the council. However, in 1949 the council was abolished, its staff was detailed to various ministries and government agencies, while its policy-making functions were transferred to a newly-created People's Economic Council, representing the major parties of the National Front of Independence under the chairmanship of a very powerful Communist Minister of State. The council counts several cabinet ministers among its members but is not a sub-committee of the Council of Ministers. It decides economic policy at the highest level and is the highest authority in matters of planning.

[687] When the plan was embodied in law, the government was authorized to issue all decrees necessary for the execution of the plan. Contravention of these decrees and, in general, obstruction to executing the plan were made a crime liable to severe punishment, even death in the case of serious sabotage. The punitive measures were later reinforced. Besides the statutory instruments of control, the government had other means to enforce the plan. Through successive nationalizations, the government became by far the most important single employer and its powers of black-listing were enormous. Besides, a general system of licenses restricted to a minimum free economic activity of any sort. Extension of this permit system to the purchase and lease of agricultural land made the system watertight.

● [467] The party-dominated trade-unions and works councils were also important instruments of control. They were active in enforcing discipline, increasing output, and reducing costs, in marked contrast to their role in pre-nationalization and pre-plan days. Their control of the labor exchanges gave them complete power over workers of all grades as nobody could accept a work contract without the endorsement of the trade-unions.

471 461 An effective instrument to increase individual and collective output was the sharply graded piece-rate system with its constantly raised standards of output. Competitions were organized between different establishments and between departments of the same establishment with prizes and privileges awarded to the winners. The foundations were laid for the Hungarian Stakhanovite movement. Considerable material and social privileges were granted to the winning shock-workers who were then obliged to instruct their fellow workers in an effort to speed up production. The record output, achieved under special

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

it is difficult to say, for the events of 1944 have deepened the consciousness, even among those who repudiated the excesses, of the difference between the two races, and the problem of finding jobs for the younger generation of non-Jews is not likely to have become easier.

LIFE OF INDUSTRIAL WORKERS. About a quarter of the population of Hungary is employed in industry. The term covers all industrial processes, down to the village smith or carpenter, and nearly one-half of the persons listed as 'industrial workers', are in fact artisans or home-workers or employed in very small concerns with perhaps only one or two assistants. The government has always been anxious to encourage this smaller industry, both as a means of relieving rural unemployment and as constituting a social, dependable, God-fearing element of the population.

The other and greater half are the factory workers, employed in larger concerns with a pay-roll of ten or more. The most important of them are the great Manfred Weiss munition and metallurgical factories on Csepel Island, south of Budapest. There is a big iron works, belonging to the State, at Diosgyör, another munitions factory at Gyor, and some sizeable textile factories in Budapest. Outside Pécs, there are local mines. All industry developed quickly after the outbreak of war, to meet the needs, not only of munitions, but of other supplies for the army.

The position of the industrial workers in Hungary is, on the whole a good deal more satisfactory than that of the workers in the villages. As in every

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country in the nineteenth century, the authorities were hostile to the idea of the workers organizing, and when they began to do so, tried to split the movement by setting up a 'national' centre, in which all the workers in State service, including the employees of the railways, had to belong. There were also Christian Trade Unions. But the Social Democrat Trade Union movement, akin to the British Labour movement, proved much the stronger, and although the Trade Unions were forbidden to engage in politics, they got round this by forming 'shadow' unions, to which each member of an official union belonged. Ever since the last war the Social Democrat Party has managed to win a few seats in Parliament. Like the Peasant leaders, the Social Democrat leaders stood up boldly during the present war for freedom and independence and openly opposed the Government's subservience to Germany. In 1943 and 1944, after they had concluded an alliance with the peasants' leaders, they were becoming a power in the land. In March 1944, the puppet government imprisoned them and placed the whole Labour movement under the 'national labour centre', afterwards introducing new single labour organization for the whole country. The workers' own leaders re-emerged to take a leading part in the Provisional Government established in the area controlled by the Red Army, in December 1944.[1]

[1] In the Miklós Government, responsible to the elected Provincial National Assembly at Debreczen, Agoston Valentini, a branch Secretary of the Social Democrat Party, became Minister of Justice, Dr Takats, also a Social Democrat, Minister of Industry, and Dr Molnár, of the same party, Minister of Social Services.

They sit and talk as old friends would. They recall that in the past the state paid little attention to the health of the workers. Half of the burden of social security was paid by the workers, but, whenever they wanted to take advantage of the social security services, the authorities always found a way to deprive them of their rightful claims.

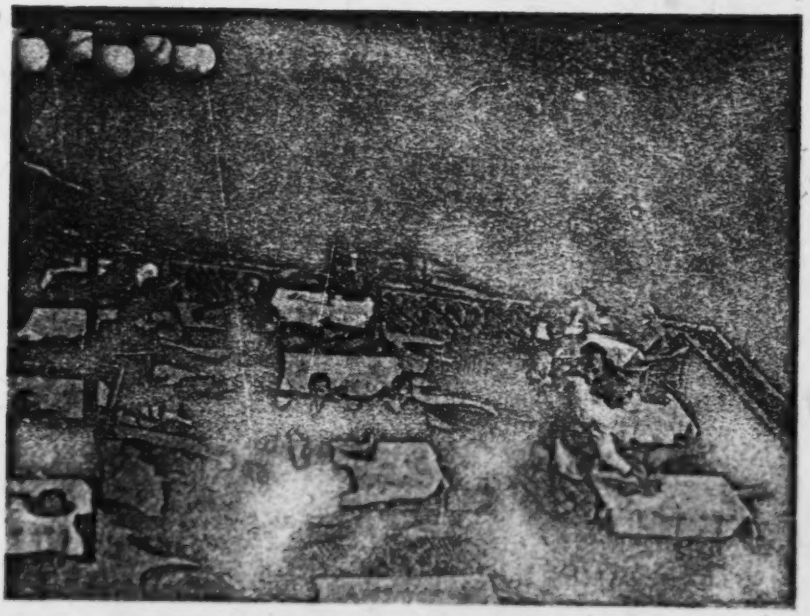
In new Hungary everything is changed. Since the trade unions, that is, the workers themselves, direct the work of the social security organization, a number of new, modern hospitals and clinics have been established. Health care has improved, sick benefits increased, the number of accidents lessened; and health statistics show an increasingly

Lounging in the garden of the resort hotel.

encouraging picture. The entire burden of social security is borne by the employer, that is, in most cases by the state. The network of mother and child care institutions is constantly being extended; the number of factory baby care centers and day nurseries increases day by day. As compared to 1938, infant mortality has decreased by one third.

A social security council, composed of workers, functions in every factory. This council sees to it that sanitary precautions are observed and takes care of the sanitary problems of the factory.

The trade unions handle the questions of rest and recreation and help the workers make the best use of their paid



Terrace restaurant of the hotel on Mount Liberty where Ferenc Gergely spent his vacation.

One of the many factory resorts along the Danube.

vacations. Over 250,000 Hungarian workers take advantage of vacation benefits, which means that they pay only 20 per cent of the cost, the rest being paid by the state. Stakhanovites and outstanding workers, industrial apprentices and young workers as well as children enjoy the holiday resorts entirely free of charge. Everybody goes to the resort best suited to his condition, to beautiful resorts along Lake Balaton in the mountains, to luxurious hotels which, in the past, opened their doors exclusively to the privileged classes.

It gives you a wonderful feeling to know all this and

871 lish and maintain elementary schools in rural districts. The importance of this was felt most strongly in the Hungarian Prairies where the population is widely scattered in small communities. From these remote districts it was almost impossible for the children to reach the schools, particularly in winter. To help solve this problem residential institutions were opened where the children — mostly of tenant farmers — from scattered farms received board and tuition up to the 8th grade.

875 793 Lastly, very important steps have been taken to adjust the incomes of the teachers and the clergy and to promote their social welfare.

Social Security Insurance.

745 466 The Hungarian social insurance system is not of recent origin, although its all-embracing reforms and measures have been adopted in the last twenty years. The most remarkable social achievement in Hungary since the war was the enactment of Act XXI in 1927, instituting compulsory sickness and accident insurance. Of far-reaching importance also is Act XL of 1928, which provided for the creation of compulsory insurance covering retirement pensions, disability, and widows' and guardians' benefits. Later the statistical data concerning the persons insured under these acts will be given. To illustrate the historical [467] background it is sufficient to mention that the miners formed friendly benefit societies as far back as the fifteenth century. In the eighteenth and the beginning of the nineteenth century several similar societies were established, which in some branches of production — especially industry and mining — provided some sort of social insurance for their members. In 1891 sickness insurance was made com-

Article 55.

642 641 1) In accordance with the interests of the worker the Hungarian People's Republic ensures for its citizens freedom of speech, freedom of the press and freedom of assembly.

2) In order to implement these freedoms, the state places at the disposal of the workers the material resources required.

Article 56.

1) In order to develop the social, economic and cultural activities of the workers, the Hungarian People's Republic constitutionally guarantees the right of organization.

2) In fulfilling its tasks, the Hungarian People's Republic bases itself on the organizations of the class-conscious workers. In order to defend the people's democracy, promote participation in socialist construction, widen the scope of cultural and educational work, implement the rights of the people and develop international solidarity, the workers establish trade unions, democratic organizations of women and young people as well as other mass organizations and put into practice the close co-operation and democratic unity of the industrial, agricultural and intellectual workers. The leading force in such political and social activities is the working class, led by its advance guard and supported by the democratic unity of the whole people.

Article 57.

The Hungarian People's Republic safeguards the freedom and inviolability of the person, the privacy of the home and the correspondence of its citizens.

Article 58.

1) The Hungarian People's Republic guarantees these rights and freedoms to all workers living within its borders.

2) Foreign citizens, persecuted for their democratic attitude or their activities in the interests of the liberation of the peoples, enjoy the right of asylum in the Hungarian People's Republic.

Article 59.

It is the fundamental duty of all citizens of the Hungarian People's Republic to defend the property of

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425 Coal mines were first on the list in the nationalization of resources.
471 The nationalization of coal mines was logically followed by all other
[316] sources of energy and by power plants, many of which were owned by foreign corporations. In this respect the same aggressively anti-foreign methods were used that proved so successful in Rumania and Czechoslovakia. Next step in this cycle was the temporary nationalization of heavy industries for a period of at least six years. According to the brief decree of Minister of Industry, Antal Bán, the State will assume direct control of all industries through a Council of Directors which will replace the former system of capitalist owners and boards of directors managing individual corporations.[41] The new Council will serve as the employer of at least 100,000 individual workers and will reach all major executive decisions. The Minister of Industry will, in exceptional cases, serve as the final forum of appeal. Industrial profits will go to the State; if there are losses of operation the State will bear them.

Similar decrees of nationalization have recently been drafted for banks, for all forms of mining and for firms engaged in the distribution of agricultural products. Simultaneously the entire field of domestic and foreign trade was brought under the control and jurisdiction of a new Supreme Economic Council, headed by a leading member of the Communist Party, Zoltán Vas. The Council consists of the members of a new political-managerial class, replacing the earlier group of business leaders who became the victims of Fascist persecution.[42]

467 The three year plan has also provided for the creation of numerous labor unions. Since 1944 the railwaymen, post-office workers, heavy industrial workers and even government employees have formed unions, all of them in branches of industrial and public life where they had been strictly forbidden under earlier regimes. Today the unions are Communist controlled; as early as January 1946 their Communist members joined forces with the left-wing Socialists and as a majority acquired all the key-posts. The Smallholders have only scant representation. The Trade Union Council which is a group of leaders

41 Cf. *Magyar Nemzet*, Nov. 24, 1946, p. 3, for the first official announcement of the government's action, under the heading "Forced Nationalization of Hungary's Heavy Industry."

42 "The National Socialists arrested and later deported *all the leaders of Jewish political and business life* and journalists, together with the Hungarian democratic and anti-Fascist politicians." *Nazi Conspiracy and Aggression*, U. S. Government Publication (Washington, D. C., 1947), Vol. I, Chap. XI, p. 955. (Italics mine.)

1/1 [cf. category 116, pp. 317 --- Analyst]

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selected from all major labor unions is headed by an ardent Communist, Kossa, organizer of the Budapest streetcar workers union.

An essential institution in Hungarian industry is the factory committee, elected by the workers to represent their interests in dealing with the management, or with State officials now serving as replacements for an almost extinct managerial class. These small factory committees are particularly sensitive to party ideology and are permeated by Communist propaganda. Through them the workers are brought into constant contact with political authorities of the State, and their private life is closely watched. At their trade union meetings they are given lectures on foreign and domestic politics devoted frequently to violent hate propaganda against Britain and the United States.[43] Trade unions and factory committees have thus become important tools in the hands of the country's dominant political-economic bloc.

The process of industrial recovery and the strengthening of a new laboring class have suffered considerably by the recent financial disaster which culminated in the inflation of 1946. The country's economic foundations were first weakened by the wave of German looting and seizures of valuable assets and capital goods, estimated at approximately ten billion dollars. The economic deathblow was then delivered by the prompt acquisitiveness with which Soviet Russia reduced occupied Hungary to the role of an economic colony. The threatening upward spiral of prices, wages and nominal money values finally drove out the Pengō, discredited by a long and unchecked period of inflation. The economic situation improved substantially after the stabilization of August 1946 when an old Austro-Hungarian monetary unit, the *forint* (florin), had been established as the fixed national currency. By the end of 1946 industrial capacity was gradually restored to about sixty percent of the pre-war potential, although Hungary continued to pay an exceedingly heavy reparation bill, both in industrial equipment and in current manufacturing production.[44]

Reparations today include nearly all of the country's capital goods

43 Cf. "Workers and Industry, Danubian Outlook," *The Economist*, Jan. 25, 1947, p. 134.

44 N. Káldor estimates that at least one-fourth of the total current production goes to the U.S.S.R. The reparations burden is further enhanced by a strict interpretation of the Potsdam agreement according to which the Russians continue to compute the reparations bill in "dollars of 1938 purchasing power." Nevertheless, Professor Káldor reaches the strange conclusion that "the picture of Soviet Russia as the ruthless economic exploiter of Hungary is far too one-sided." Cf. "The Danubian States," *The Times*, London, Nov. 19, 1946.